

FISCAL NOTE

Bill #: SB0459

Title: Create community infrastructure grants program for economic development; approp.

Primary

Sponsor: Fred Thomas

Status: As introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
General Fund	\$5,000,000	
State Special Revenue	\$1,617,944	\$2,112,444
Revenue:		
State Special Revenue	\$5,000,000	
Net Impact on General Fund Balance:	(\$5,000,000)	\$0

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

Department of Commerce; Community Development Bureau

1. The purpose of the community infrastructure grants program is to provide grants to develop or improve community infrastructure to support economic development. Infrastructure eligible for grant assistance would include drinking water systems, wastewater treatment systems, streets, roads, bridges, solid waste systems/facilities, or similar facilities.
2. Eligible activities would include problem analysis, feasibility or design studies, technology demonstration, research, construction, acquisition, or enhancement of capitol facilities.
3. A community infrastructure grants account would be created by a \$5 million general fund appropriation. Expenditures from the account may be made for grants for designated projects and program administration

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expenses. The administrative budget is statutorily appropriated as part of the grants account; no budget ceiling for administrative expenses is established within SB 459.

5. The program would begin July 1, 1999. It is assumed that the \$5 million transferred from the general fund would be available for grants and program administration for four years until June 30, 2003. Any unexpended funds in the community infrastructure grants account after June 30, 2003 would be transferred to the general fund as of July 1, 2003.
6. Because of the short four-year program duration, it would be most appropriate to make maximum use of contracted services for program administration, technical feasibility analysis of proposed projects, and on-site project monitoring to minimize the need to create full-time equivalent state positions. The minimum full-time staff would be 1.00 FTE program manager (grade 16) and 1.00 FTE program assistant (grade 11) with associated personal costs estimated to be \$62,444 each year and operating costs to oversee the program estimated to be \$55,000 in FY 2000 and \$50,000 in FY 2001. Additionally, grants of \$1.5 million would be awarded in FY 2000 and \$2.00 million in FY 2001.
7. Based on many years of experience in funding and administering infrastructure projects through the Community Development Block Grant Program and the Treasure State Endowment Program, infrastructure projects typically require from two to three years to complete from funding approval to final project closeout. Given the limited time frame for the program to operate, it would be necessary to operate the grants program on an a "first come, first served" basis to expedite grant award and project construction.
8. It is assumed the \$5 million would be appropriated in HB2.

FISCAL IMPACT:**Dept. of Commerce**

	<u>FY2000</u>	<u>FY2001</u>
	<u>Difference</u>	<u>Difference</u>
FTE	2.00	2.00

Expenditures:

Personal Services	\$62,444	\$62,444
Operating Expenses	\$55,500	\$50,000
Grants	\$1,500,000	\$2,000,000
Transfers	<u>\$5,000,000</u>	<u>\$0</u>
TOTAL	\$6,617,944	\$2,112,444

Funding:

General Fund (01)	\$5,000,000	0
State Special Revenue (02)	<u>\$1,617,944</u>	<u>\$2,112,444</u>
TOTAL	\$6,117,944	\$2,112,444

Revenues:

State Special Revenue (02)	\$5,000,000	\$0
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Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$5,000,000)	\$0
State Special Revenue (02)	\$3,382,056	(\$2,112,444)

TECHNICAL NOTES:

1. As noted above under the assumptions, infrastructure projects typically require from two to three years to complete from funding approval to final project closeout. Section 4 (4) provides that "If any funds remain in the infrastructure grants account after June 30, 2003, they must be transferred to the general fund as of

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July 1, 2003. The Department of Commerce would require legislative authority to accrue grant funds for approved infrastructure projects in process that could not be completed before July 1, 2003.

2. If any local government funding derived from general or revenue bonds or other debt instruments would be co-funding a community infrastructure grant project, any resulting increase in local user charges or taxes may require voter approval under the provisions of CI-75. This could further delay project completion. This increases the importance of providing the department authority to accrue obligated but unexpended grant funds for a local project.
3. The reference to statutory appropriation in new Section 4 should be clarified that the appropriation would be made in HB2.

DEDICATION OF REVENUE:

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)
SB459 mandates creation of a state special revenue account for the Community Infrastructure Grants Program.
- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?
By placing the proceeds of this proposed legislation into a state special revenue account the Legislature is assured that the program is enacted and working as intended.
- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? ☒ Yes ☐ No (if no, explain)
- d) Does the need for this state special revenue provision still exist? ☒ Yes ☐ No (Explain)
The proposed legislation establishes a state special revenue account which is necessary to provide for the administration and accountability of the Community Infrastructure Grants Program.
- e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)
No. The dedicated revenue provision of this proposed legislation does not diminish the Legislature's ability to control expenditures or establish priorities.
- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)
Yes, provided the Legislature continues to mandate state responsibility for the four year Community Infrastructure Grants Program.
- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)
The dedicated revenue provision, which is required in the proposed legislation, would provide accounting efficiencies within the Department of Commerce. It would allow for the quick and accurate analysis of how effective and efficient the Community Infrastructure Grants Program is operating.